

PREPARED DIRECT TESTIMONY
OF
LAWRENCE J. MURPHY

I.C.C. DOCKET NO. 03-_____

1. Q. Please state your name and business address.
A. My name is Lawrence J. Murphy. My business address is A & N Energy Systems, Inc. PMB 111, 1701 E. Empire St., Ste. 360, Bloomington, IL 61704
2. Q. What is your business and occupation?
A. I am employed by A & N Energy Systems, Inc. (A & N). As the Senior Vice President and Director of Engineering. I am Professional Engineer Licensed in the State of Illinois.
3. Q. Please state briefly your educational and employment background?
A. Please see attached resume.
4. Q. What are your responsibilities?
A. I am responsible for the engineering and operational development of a small power production facility fueled by landfill methane that will be located at McLean County Bloomington, Illinois.
5. Q. What are you asking the Commission to do in this docket?
A. A & N ask the Commission to issue an Order determining that A & N's proposed generating facility fueled by landfill methane located at the McLean County Landfills will be a qualified solid waste energy facility pursuant to Section 8-403.1 of the Illinois Public Utilities Act.
6. Q. Will you yourself be involved in the management of the solid waste facility?
A. Yes, I will be involved in the management of the landfill gas facility at the landfill.
7. Q. Who will be the principal operators of the facility?
A. A & N Energy Systems, Inc. And Altorfer Power Systems (Caterpillar) will be the principal operators of the facility.
8. Q. Who will be the owners of the facility?

- A. A & N Energy Systems, Inc.
9. Q. To whom do you intend to sell the electricity?
- A. Illinois Power Company will be the buyer.
10. Q. Do any of the owners of the facility have ownership interests in Illinois Power or any other Illinois public utility?
- A. No.
11. Q. I show you A & N Exhibit No. 1 and ask if you can identify this Exhibit?
- A. Yes. A & N Exhibit No. 1 is a copy of a notice of self certification filed with the Federal Energy Regulatory Commission ("FERC") pursuant to 18 CFR section 292.207. The notice was assigned to Docket QF 03-83-000, and was file stamped received by FERC on April 12, 2003.
12. Q. I show you A & N Exhibit No. 2 and ask if you can identify this Exhibit?
- A. Yes. A & N Exhibit No. 2 is a letter from the Illinois Environmental Protection Agency stating that it has approved a solid waste management plan for McLean County where A & N intends to locate its generating facility.
13. Q. I show you A & N Exhibit No. 3 and ask if you can identify this Exhibit?
- A. Yes. A & N Exhibit No. 3 is an engineering drawing of the proposed generating facility that is to be built at the McLean County Landfills. The plans of the Altorfer Power Systems are proprietary and confidential.
14. Q. I show you A & N Exhibit No. 4 and ask if you can identify this Exhibit?
- A. Yes. A & N Exhibit No. 4 is a copy of our financial plan which includes a fund to hold funds set aside pursuant to 83 Ill. Admin. Code 445.70(b) to reimburse the General Revenue Fund of the State of Illinois for any tax credit given in connection with the facility. Our plan is proprietary and confidential.
15. Q. How does A & N propose to provide electric energy?
- A. The generating facility to be located in McLean County Landfill will initially consist of 2 internal combustion engine (Caterpillar G3516 LE) and generator sets and be fueled by landfill methane, a byproduct of the decomposition of waste within the landfill. We do not anticipate the use of any other fuel at this facility for any reason.
16. Q. What will be the maximum gross electric power production capacity of the facility?

- A. Our facility will not exceed 5 megawatts. This output will be achieved in two phases.
17. Q. What will be the source of the fuel used for your generators?
- A. Landfill methane will be the fuel and the source will be the McLean County Landfills Bloomington, Illinois.
18. Q. What arrangement, if any, do you have with McLean County Landfill?
- A. We have a contract with McLean County Landfill to use their landfill and to build a generating plant.
19. Q. What examination have you made of the landfill to arrive at an estimate of the available methane gas?
- A. We have some general projections that are demonstrated by the US EPA model and shown in Exhibit No. 5. In addition A & N has installed 65 gas extraction wells temporary gas collection piping. A pump study was performed and the test results have been compared to the US EPA model for correlation.
- 20.. Q. Does A & N Energy or any of its affiliates own any interest in any electric generating facilities that are not qualified solid waste energy facilities?
- A. No.
21. Q. Are you aware of 83 Ill. Admin. Code Part 445 and will A & N comply?
- A. Yes, we are aware of 83 Ill. Admin. Code Part 445. We will comply with all Illinois laws and rules of the Commerce Commission.
22. Q. Who will manage the investments that will comprise the reimbursement fund for the repayment required under Section 8-403.1 of the Illinois Public Utilities Act?
- A. A & N anticipates utilizing Bear Stearns (70 West Madison, Chicago, IL) as the fund manager. Presently A & N is under contract negotiations with Bear Stearns. If at any time before repayment is completed the fund manager is changed, our annual report to the Illinois Commerce Commission will identify the new manager along with the status of the reimbursement fund.
23. Q. What will be the approach taken with respect to the investment of funds in the reimbursement fund?
- A. The fund manager will review the fund periodically, and make such changes as it deems necessary within and subject to the investment criteria governing management of the fund to insure that funds equal to the actual credits are always available.

24. Q. What is the investment criteria?
- A. Funds may be invested in any of the following:
1. United States Treasury Bonds,
 2. United States Treasury Notes,
 3. Securities issued by agencies of the Federal Government,
 4. Certificates of Deposit insured by the Federal Government,
 5. Municipal Bonds rated AA or better, and/or
 6. Preferred stocks & bonds of companies listed in the Dow Jones Industrial Averages.
25. Q. How will the fund be adjusted to insure that there are always sufficient funds on hand To repay the State of Illinois.
- A. The funds will be held in a separate escrow account at Bear Stearns (Chicago, IL). The funds will not be used for any purpose other than for reimbursing the Public Utility Fund and the General Revenue Fund in the State Treasury for the actual reduction in payments to those funds caused by credits to State taxes under Section 8-403.1d of the Public Utilities Act. Copies of the Utility's tax credits taken against State taxes under Section 8-403.1d will be obtained and used as the benchmark for monies due and owing each year of the contract. The Fund Manager will adjust the fund and requisition additional funds as needed, to insure the funds equal to the actual credits are always available. We intend to work with the Staff of the ICC to assure that our investment criteria meets all Staff expectations.
26. Q. I show you A & N Exhibit No. 6 and ask if you can identify this Exhibit?
- A. Yes. This is a picture of the McLean County Landfill in Bloomington, Illinois that we propose to develop. If you look closely at the picture you can see the location of the gas extraction wells which are valued at about \$300,000 total.
27. Q. I show you A & N Exhibit No. 7 and ask if you can identify this Exhibit?
- A. Yes. This is my resume.
28. Q. Does this complete your testimony?
- A. Yes.